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UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

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ELIZABETH M. VAUGHN *
Plaintiff, *
v. *
INVESTORS MARKETING SERVICES, INC., *
INVESTORS CAPITAL HOLDINGS, LTD., *
INVESTORS CAPITAL CORP., JANICE *
CHARLES, and THEODORE CHARLES *
Defendants. *

**ANSWER OF DEFENDANTS INVESTORS
MARKETING SERVICES, INC. AND JANICE CHARLES**

The Defendants, Investors Marketing Services, Inc.
("IMS") and Janice Charles ("Ms. Charles") respond to the
allegations contained in the Complaint as follows:

INTRODUCTION

1. To the extent that a response is required to paragraph
1 of the Complaint, the Defendants IMS and Ms. Charles deny
the allegations contained in paragraph 1 of the Complaint.

THE PARTIES

2. The Defendants IMS and Ms. Charles can neither admit
nor deny the allegations contained in paragraph 2 of the
Complaint but believe them to be true.

3. The Defendants IMS and Ms. Charles deny that IMS is an
affiliate of Investors Capital Corporation ("ICC"). In
further answering, IMS, as a vendor of ICC, does provide

some fulfillment functions, but does not do any corporate licensing for ICC. The Defendants IMS and Ms. Charles admit that in connection with its vendor functions that IMS prepares registration and recruiting kits but denies that IMS mails these kits on behalf of ICC, Investors Capital Holdings, Ltd., and Theodore Charles ("Mr. Charles").

4. The Defendants IMS and Ms. Charles admit the allegations contained in paragraph 4 of the Complaint.

5. The Defendants IMS and Ms. Charles deny that IMS receives a percentage of insurance commissions for products sold by any ICC agents but admits the remaining allegations contained in paragraph 5 of the Complaint.

6. The Defendants IMS and Ms. Charles admit the allegations contained in paragraph 6 of the Complaint.

7. The Defendants IMS and Ms. Charles admit the allegations contained in paragraph 7 of the Complaint.

JURISDICTION AND VENUE

8. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 8 of the Complaint.

9. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 9 of the Complaint.

FACTS

10. The Defendants IMS and Ms. Charles admit the allegations contained in paragraph 10 of the Complaint.

11. The Defendants IMS and Ms. Charles admit the allegations contained in paragraph 11 of the Complaint, except that the Plaintiff, Elizabeth M. Vaughn ("Ms. Vaughn"), worked as Director of Contracting and reported to management personnel, including Jennifer Lanouette ("Ms. Lanouette").

12. The Defendants IMS and Ms. Charles admit that the Plaintiff Ms. Vaughn was employed by IMS but deny that the Plaintiff Ms. Vaughn was employed by ICC.

13. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 13 of the Complaint.

14. The Defendants IMS and Ms. Charles admit the allegations contained in paragraph 14 of the Complaint, except that by January 2005, IMS no longer needed Ms. Vaughn's services, and Ms. Vaughn's position was outsourced.

15. The Defendants IMS and Ms. Charles admit the allegations contained in paragraph 15 of the Complaint.

16. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 16 of the Complaint.

17. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 17 of the Complaint.

18. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 18 of the Complaint.

19. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 19 of the Complaint.

20. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 20 of the Complaint.

21. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 21 of the Complaint.

22. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 22 of the Complaint.

23. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 23 of the Complaint.

24. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 24 of the Complaint.

25. The Defendant IMS has less than twenty employees. The Defendants IMS and Ms. Charles admit the remaining allegations contained in paragraph 25 of the Complaint.

26. The Defendants IMS and Ms. Charles admit the allegations contained in paragraph 26 of the Complaint.

27. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 27 of the Complaint.

28. The Defendants IMS and Ms. Charles admit that IMS is owned by Theodore Charles ("Mr. Charles") and Ms. Charles and that Mr. Charles is a shareholder of ICH but deny the remaining allegations contained in paragraph 28 of the Complaint.

29. The Defendants IMS and Ms. Charles admit that there are some common officers and directors for IMS, ICC, and ICH but deny that there is common management of IMS, ICC, and ICH.

30. The Defendants IMS and Ms. Charles admit that Mr. Charles is the President, CEO, and Chairman of the Board of ICH, but deny the remaining allegations contained in paragraph 30 of the Complaint.

31. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 31 of the Complaint.

32. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 32 of the Complaint except that the 2004 Annual Report of ICH filed with the Securities and Exchange Commission speaks for itself.

33. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 33 of the Complaint.

34. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 34 of the Complaint.

35. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 35 of the Complaint.

36. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 36 of the Complaint.

37. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 37 of the Complaint.

38. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 38 of the Complaint.

39. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 38 of the Complaint.

40. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 40 of the Complaint, except that employees of IMS perform vendor services for ICC.

41. The Defendants IMS and Ms. Charles deny that IMS shares an employee benefit plan with ICC but admit the remaining allegations contained in paragraph 41 of the Complaint.

42. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 42 of the Complaint, except that Ms. Vaughn was participant in the IMS 401K Profit Sharing Plan.

43. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 43 of the Complaint.

COUNT I - FAMILY AND MEDICAL LEAVE ACT

44. The Defendants IMS and Ms. Charles reiterate the responses made to each and every allegation contained in Paragraphs 1-43 of the Complaint.

45. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 45 of the Complaint.

46. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 46 of the Complaint.

47. The Defendants IMS and Ms. Charles admit the allegations contained in paragraph 47 of the Complaint.

48. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 48 of the Complaint.

49. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 49 of the Complaint.

50. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 50 of the Complaint.

51. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 51 of the Complaint.

COUNT II - RETALIATION

52. The Defendants IMS and Ms. Charles reiterate the responses made to each and every allegation contained in Paragraphs 1-51 of the Complaint.

53. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 53 of the Complaint.

54. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 54 of the Complaint.

55. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 55 of the Complaint.

56. The Defendants IMS and Ms. Charles deny the allegations contained in paragraph 56 of the Complaint.

The Defendants IMS and Ms. Charles further respond to the Complaint by setting forth the following affirmative defenses:

FIRST AFFIRMATIVE DEFENSE

Each count of the Complaint fails to state a claim upon which relief may be granted.

SECOND AFFIRMATIVE DEFENSE

The Defendants IMS and Ms. Charles have less than fifty employees, and the Court lacks jurisdiction to entertain any claim under the Family and Medical Leave Act ("FMLA").

THIRD AFFIRMATIVE DEFENSE

The Defendants IMS and Ms. Charles are not integrated employees under the FMLA and 29 C.F.R. §825.104(c)(2), and there is therefore no jurisdiction to entertain claims in the Complaint.

FOURTH AFFIRMATIVE DEFENSE

The Plaintiff Ms. Vaughn is barred from bringing this claim because she was laid off for legitimate business reasons.

FIFTH AFFIRMATIVE DEFENSE

The Plaintiff Ms. Vaughn was an employee at will at the time of her lay off, and as such, the Plaintiff could

be laid off at any time for good cause, bad cause, or no cause at all.

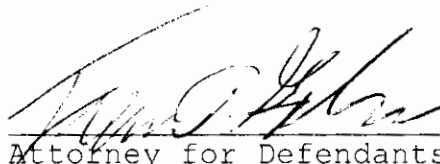
SIXTH AFFIRMATIVE DEFENSE

The Plaintiff Ms. Vaughn has failed to mitigate her damages, and is therefore not entitled to recover in this action.

JURY DEMAND

The Defendants IMS and Ms. Charles demand a trial by jury on all issues and claims triable by jury.

By their attorney



Attorney for Defendants
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and Janice Charles
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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the above
document was served upon the attorney in
record for each other party by mail (or hand)
on 11/10/2005

